

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 INT-08 SCI-06 SCEM-02

STR-08 DODE-00 PM-07 H-03 L-03 NSC-10 PA-04 PRS-01

SS-20 USIA-15 ACDA-19 IO-14 AF-10 EA-11 EUR-25 NEA-10

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 1984

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EO 11652: NA

TAGS: ENRG VE

SUBJECT: CONTINUING CONTROVERSY OVER ROYALTY PAYMENTS

REF: CARACAS 9781

1. SINCE VENEZUELAN GOVERNMENT ANNOUNCED NOVEMBER 14 THAT AGREE-
MENTS HAD BEEN SIGNED WITH OIL COMPANIES TO INCREASE ROYALTY
PAYMENTS IN LIEU OF REQUIRING COMPANIES TO PAY ROYALTIES IN KIND,
NEWSPAPERS HERE HAVE BEEN FILLED WITH RUMORS THAT VENEZUELA WOULD
NEVERTHELESS REQUIRE COMPANIES TO PAY ROYALTIES IN OIL IN ORDER
THAT VENEZUELA COULD MEET NEEDS OF LATIN AMERICAN NEIGHBORS.
RUMORS HAVE IN SOME CASES BEEN ATTRIBUTED TO UNNAMED SOURCES
IN MINISTRY OF MINES AND HYDROCARBONS AND HAVE BEEN SUPPLEMENTED
BY STATEMENTS BY COMMENTATORS, POLITICIANS AND PUBLIC FIGURES
SUPPORTING CONCEPT OF ROYALTY PAYMENTS IN OIL. LATEST PUBLIC
FIGURE TO COMMENT ON THIS IS REINALDO CERVINI, PRESIDENT OF PRO-
VENEZUELA, WHO CALLS UPON NATION TO TAKE A HARD LOOK AT POSSIBILITY
OF RECEIVING OIL ROYALTY PAYMENTS IN KIND. HE MENTIONS AS
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ADVANTAGES: POSSIBILITY OF HIGHER INCOME; HELPING LATIN AMERICAN

COUNTRIES; AND FACILITATING REFINING WITHIN VENEZUELAN BORDERS.

2. HIGH OFFICIAL OF MINISTRY OF MINES AND HYDROCARBONS ASSURED PETROLEUM ATTACHE DECEMBER 4 THAT DESPITE SPATE OF NEWSPAPER STORIES, VENEZUELAN GOVERNMENT HAS NO INTENTION OF REQUIRING PAYMENTS OF OIL ROYALTIES IN KIND PRIOR TO EXPIRATION OF LAST MONTHS AGREEMENTS WITH OIL COMPANIES. THOSE AGREEMENTS RUN FOR SIX MONTHS, BY WHICH TIME, OFFICIAL OBSERVED, MANY THINGS COULD HAVE CHANGED. AT ANY RATE, SIX MONTH PERIOD WILL GET US BEYOND WINTER HEATING SEASON.

3. MEANWHILE, PLANS TO RENDER ANY ASSISTANCE TO LATIN AMERICAN COUNTRIES, OTHER THAN THOSE WHICH HAVE BEEN TRADITIONAL CUSTOMERS OF VENEZUELA AND WHICH WILL CONTINUE TO RECEIVE FAIR, IF SOMEWHAT REDUCED ALLOCATION, DEPEND ON EXPANSION OF PRODUCTION BY CVP. THIS IN TURN DEPENDS ON CVP BEING ABLE TO ACQUIRE PIPE AND PUMPING FACILITIES TO HOOK UP WELLS WHICH HAVE BEEN COMPLETED, BUT NOT HOOKED INTO CVP SYSTZM. NATURALLY ONLY SMALL ADDITIONAL VOLUME CAN BE EXPECTED FROM THIS SOURCE.

4. AS SIDELIGHT, SAME OFFICIAL SAID THAT CVP OFFICERS ARE SO ANNOYED BY REBUFF ON ROYALTY OIL QUESTION THAT THEY ARE HARDLY SPEAKING TO OFFICIALS MINISTRY OF MINES AND HYDROCARBONS.
MCCLINTOCK
UNQUOTE

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